

From the Top

Thomas Schmitt, Chief Executive Officer Forward Air

Interview by Robert Christensen and Kathy Belmont



Thomas Schmitt

About Thomas Schmitt

Tom Schmitt has served as Chairman, President and CEO of Forward Air since September 2018. Prior to joining Forward, he had already built a distinguished career, most recently serving as Chief Commercial Officer for DB Schenker, a \$20 billion global logistics company. From 2013 until 2015, Schmitt was President, CEO and Director of Aqua Terra, Canada's leading provider of natural spring water. Prior to that, Schmitt served as President, CEO and Director for Purolator, Canada's top parcel and freight transportation company. Schmitt also spent 12 years at FedEx in Memphis, TN, where he served as CEO of FedEx Global Supply Chain Services and SVP of FedEx Solutions. Schmitt has been a member of Xynteo Leadership Board since 2018 and a Non-Executive Director on the Ferguson plc board since 2019.

Equally as important, Schmitt supports local non-profit organizations such as Ballet Memphis and Shelby Farms Park. He currently serves on

the executive board of the Shelby Farms Park Conservancy, where he led the economic development committee to raise \$100 million to turn the country's largest urban park into an asset for the entire community. Schmitt was named to the Power 100, an annual list of the 100 most influential Tennesseans, published by Business Tennessee, based on the criteria of influence on important state policy, running important institutions or just getting things done for the state. Schmitt was recognized in CEO Today magazine as a distinguished winner of CEO Today's 2019 USA Awards. He was one of 100 CEOs selected for strong and innovative leadership and for changing the game in their business sector and beyond.

Schmitt together with Arnold Perl wrote Simple Solutions, a leadership book published by Wiley & Sons. Schmitt holds an MBA as a Baker Scholar from Harvard Business School. He earned his bachelor's degree in European Business Administration from Middlesex University.

Focus: What attracted you most to Forward?

Schmitt: Three things. First, a strong people culture where people and service matter most.

Second, a rock-solid business model of precision execution and hitting tight-time windows when it is bigger than a letter or a small box.

And, finally, 'tons' of upside (pun intended). Currently, we serve less than 10% of our addressable market.

Focus: How has Forward kept industry costs down and remained competitive?

Schmitt: We built our precision execution muscle by moving air-freight on the ground from airport to airport, as we built out our infrastructure around more than 90 airports. For two decades, that is what we did. We became the fastest and most reliable company for moving items that were bigger than a small box or letter from one airport to another. Our service offering was less expensive than air-freight and more reliable, as it will never get bumped when you have an extra suitcase – with a fraction of the carbon emissions of airfreight.

Ten years ago, we started using that same infrastructure to pick up before the origin airport and deliver beyond the destination airport. Today, 40% of all of our LTL moves start before the origin airport and/or go beyond the destination airport using the same infrastructure, with more services and a lower cost per move.



Forward Intermodal offers premium intermodal drayage for freight forwarders, beneficial cargo owners and steamship lines. Photo courtesy Forward.

Focus: How has Forward vertically integrated its airport-to-airport (A2A) service to fit multiple customer final delivery demands?

Schmitt: In two steps. The first step was the near stretch into pick-up and delivery. The second step was getting into the B2C final mile business, into the end customers' homes. For example, we offer installation of high value appliances, so we are bringing our precision execution to consumers.

Initially we handled the B2B LTL and the B2C final mile home installation in different networks, but now, we are starting to deliver both out of the same buildings. So, on a slow day the final mile home delivery driver also picks up or drops off LTL pallets. We are able to create this type of synergy that is simply not possible for pure LTL or home delivery companies.

Focus: Which destinations and markets do you currently serve and which will be added in the near future?

Schmitt: We serve most markets across the US and Canada. We are anchored in 92 terminals in major cities with our own teams and agents. These terminals are at airports today.

Nowhere is it written that Forward should only have terminals at major airports, so, at the right time we will expand our terminal network beyond airports.

Focus: What equipment does Forward provide its drivers?

Schmitt: We have more than 4,000 drivers who drive on our behalf. They own their own business, and we give them state of the art technology. First, for safety we provide equipment – from in-cab cameras, to driver simulators to collision mitigation. Second, so drivers can run their business more effectively, we offer a driver app that helps them operationally, and helps them manage their revenue.

Focus: What has changed in Forward's Truckload division?

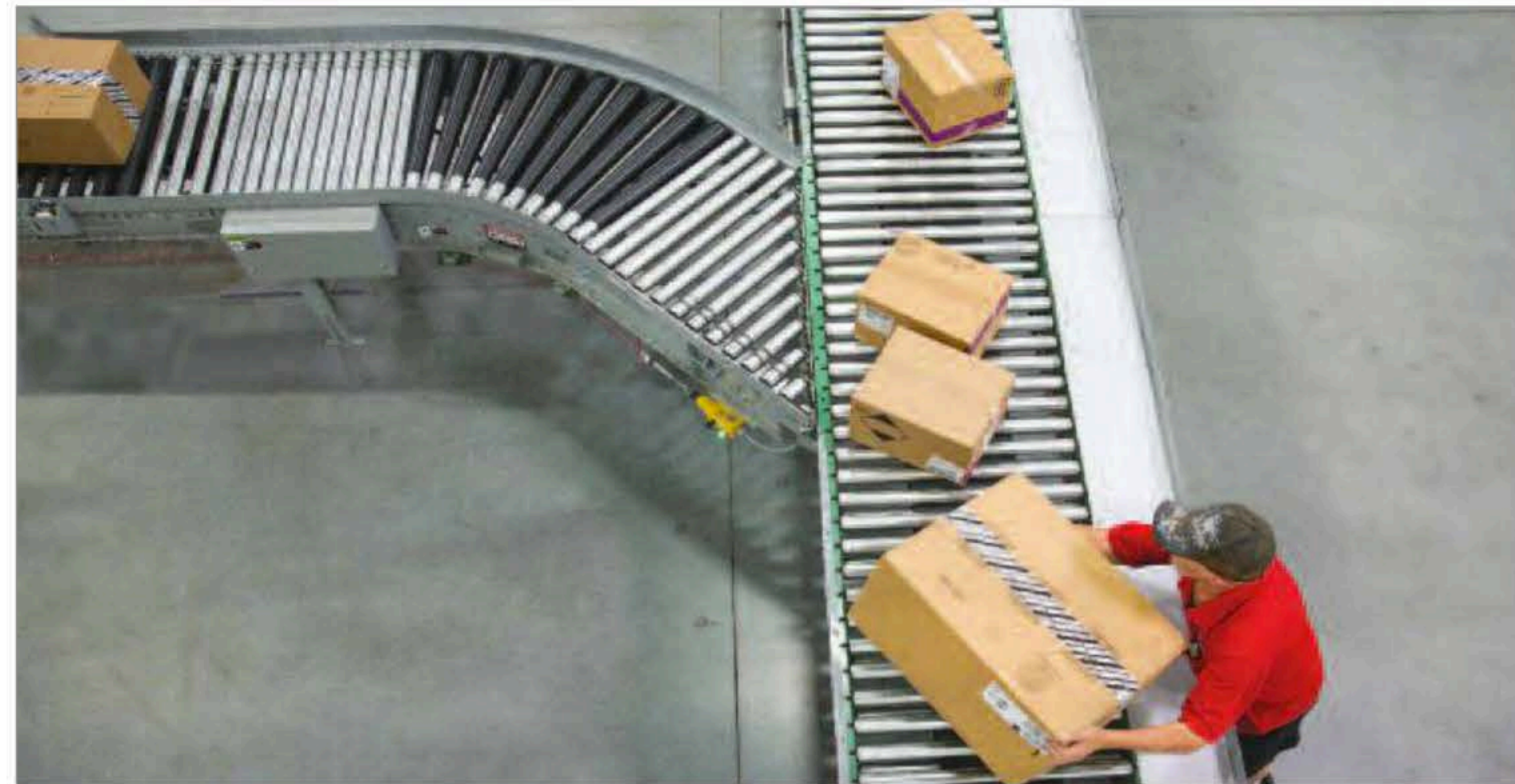
Schmitt: Truckload is a fraction the size of our LTL business, and until recently, we ran them separately. Not anymore. In our newly-formed Expedited Freight division, we have one segment offering two services.

Our recruiters are hiring for both TL and LTL, our sales professionals are selling both services, and operationally, we often see TL out and LTL back - or vice versa.

In essence, we are super-sizing the resources in support of Truckload.

Focus: How does Forward's Truckload Services operate as a customer's broker?

Schmitt: In the past, we used independent contractors as the predominant resource for our Truckload services, with brokerage being a secondary activity. We have stepped up significantly, making brokerage an equally important offering, with additional leadership and sales focus.



Precision handling and sorting are hallmarks of Forward Pool. Photo courtesy Forward.



Forward Truckload Services offers a complete portfolio. Photo courtesy Forward.



Forward operates a vast network of independent owner operators and third-party carriers. Photo courtesy Forward.

Focus: What drives demand for expedited line haul services?

Schmitt: It helps to remember that we are dealing with what otherwise would be airfreight. Other drivers include higher value goods that require speed-to-destination, with short timelines to consumption and manufacturing.

Despite smarter supply chain planning, airfreight has been a growth industry. I expect the same for its “more efficient sibling,” grounded airfreight – which is what expedited linehaul is.

Focus: Are 3PL customers requiring door-to-door services?

Schmitt: 3PLs are sophisticated matchers of demand and supply, and they are the fastest-growing segment of the LTL industry. In turn, they have become our fastest growth segment, and they have demanded and accelerated the need for door-to-door service.

As in all segments, we strive to work with the best 3PL companies – this keeps us sharp and makes us better.

Focus: How do you service customers who now require full-service logistics solutions?

Schmitt: We have an increasingly full portfolio of “bigger than a box” precision execution services across the US and Canada. We work with our customers so they can take advantage of all of our service offerings, and we optimize for their sweet spot between three currencies: Time, money and carbon emission.

Focus: How did Forward's Guaranteed Service evolve?

Schmitt: We believe in our industry-leading LTL service and reliability, so we started a money back guarantee for most of our airport-to-airport lanes. Our customers are increasingly taking advantage of it.

Guaranteed Service gives our customers peace of mind, and it keeps us on our toes. It is working well, for them and for us.

Focus: Why has demand for pickup and delivery options increased?

Schmitt: Many of our customers are value-adding forwarders who work on behalf of end customers. End customers often need to get their products from other continents into a US destination warehouse, a mall or a home. An airport is never the final destination.

The last thing these forwarders or their end customers want to figure out is how to separately contract Harry's trucking for a 20-mile move from a destination airport to a warehouse. They want us to take care of that for them, and we are. Hence the fast growth of our door-to-door moves.

Focus: What types of qualifications does Forward look for in a new hire to develop sound industry skills?

Schmitt: Quality attracts followers, so as long as we hire and stretch A-players, more will want to join us. As always, we hire for will over skill. I can always teach skills, but it's hard to train away a poor attitude. We really do have a “can-do” attitude across the board at Forward and it's amazing to see.

Focus: What affects has the Coronavirus had on Forward supply-chain partners and new customer demands?

Schmitt: It is a huge human and humanitarian challenge. On the business side, this is probably the tallest “black swan” I have seen in my lifetime. In a stark way, this is the most powerful proof of globalization ever.

At Forward, we are focused on “double health” - the health of our people and those around us, and the health of our business. I could

not be more proud of my team; it is remarkable how they've stepped up. There are thousands of us in operations buildings and on the road keeping America going, with a tireless can-do attitude.

We are developing new ways of helping others. Right now, we are talking with grocery chains about helping them to get goods into the stores and onto shelves. Beyond this challenge, our customers will reach out to us more, not less – as long as we keep supporting them in the right way now.

Strong teams make it through challenges and come out stronger. I believe that right now is the time to manage counter-cyclically. When times are extra tough, we must be extra kind and supportive - with a smile and the right attitude. From a safe distance, of course.

About Forward

Forward was founded in 1990 on a simple idea: improving reliability and lowering costs by grounding airfreight for short distances. Over the last 30 years, Forward has grown into a leader in the ground transportation industry, with a portfolio of services that has evolved to meet customers' unique shipping needs – far beyond airport-to-airport transportation.

Forward offers a variety of services including expedited linehaul (TL and LTL), pick-up and delivery, intermodal drayage, final mile, pool distribution and specialized temperature-controlled logistics services.

Forward operates an asset-light model utilizing independent owner-operators and third-party carriers to deliver premium solutions to customers.

As the most comprehensive provider of wholesale transportation services in North America, Forward serves freight forwarders, airlines, 3PLs and more with superior service and operating flexibility regardless of economic cycle.

LTL Services:

In North America, Forward utilizes a comprehensive scheduled airport-to-airport network, offering a variety of freight management services, including pickup and delivery, warehousing, consolidation, deconsolidation and more. With expedited regional, inter-regional and national LTL services, Forward is able to create premium customized solutions.

Supporting International Trade:

Forward has internal compliance departments for Customs Brokerage, TSA, Dangerous Goods, Quality and Safety. Forward's stations and hubs are strategically located adjacent to key international air and ocean gateways. Forward creates greater connectivity with capacity to meet customers' ever-changing needs. Once a customers' import cargo clears customs, it may be dispatched for final mile delivery to over 38,000 postal codes in North America.

For exports, Forward acts as an agent to the indirect or direct air carrier, picking up from an origin airport or zip code and delivering to the customer's preferred carrier. Forward can help airlines and international forwarders break down their air or ocean containers. In some markets, Forward can provide sort and segregate by house Air Waybill, SKU, P.O. number, color or size.

Forward can be your primary partner for connecting international air cargo between you and your valued customers within North America.

Our major airline partners include, among others, Delta Airlines and United Airlines.

Forward Final Mile:

The “final mile” of the supply chain is the most vital link in completing logistical challenges for businesses. When executed with precision, final mile delivery makes a powerful impression on customers – leading to repeat business. Operating a dedicated network, Forward Final Mile can offer integrated options and customization, beyond threshold



Forward Intermodal offers airport-to-airport transportation and beyond. Photo courtesy Forward.

delivery with specialized B2B and B2C installations and warehouse and inventory management.

In 2019, Forward acquired FSA Logistix and Lin Starr to bolster their Final Mile service offering. Today, Forward Final Mile completes over 15,000 deliveries and installations daily, in over 84 US markets.

Forward Final Mile customers include The Home Depot, Best Buy, Ferguson Enterprises and General Electric.

Forward Intermodal:

Forward Intermodal is a market leader in import delivery and export pickup between ports/rails and customer distribution centers. Forward Intermodal offers premium intermodal drayage for freight forwarders, Beneficial Cargo Owners (BCOs) and steamship lines.

Forward Intermodal currently has 24 terminal locations with yard management, including jockey/container spotting, on-site dispatch, etc. Point-to-point tracking with best-in-class customer reporting sets Forward Intermodal apart. Customers include Costco, IKEA, Fastenal and Disney.

Forward Pool:

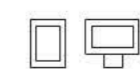
Forward offers customized delivery solutions via our Pool distribution business. As a single-source provider from distribution center to final delivery point, Forward Pool provides over 10,000 customized, reliable, time-definite deliveries per week throughout the US.

Forward Pool utilizes regional linehaul connectivity for broader coverage with a single point of entry, with nationwide service possible through the Forward network. Highly mechanized conveyer systems provide precision handling and sorting, with a proprietary IT scan platform that offers industry-best visibility and custodial control.

Forward Truckload:

Forward Truckload supports customers who need last-minute on-demand capacity or additional support for a scheduled linehaul. Forward Truckload Services offers a complete portfolio of premium services for any logistics need. Forward offers expedited truckload brokerage for long-haul, regional and local needs, providing specialized equipment such as flatbed, reefer, dry van, small vehicle and temperature-controlled logistics services.

With a vast fleet of exclusive owner-operators and thousands of carrier partners, Forward Truckload handles over 90,000 loads annually, servicing 48 states, Canada and Mexico.



NOTE: For additional information, please visit: <https://www.forwardair.com/>



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